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ADVANCE TECHNOLOGIES INC
Form 10KSB
January 14, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2003

Commission File No. 0-27175

ADVANCE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada

95-4755369

(State or other jurisdiction of
Incorporation or organization)

(I.R.S. Employer Identification No.)

716 Yarmouth Road # 215
Palos Verdes Estates, CA 90275

(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 265-7776

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class
Common Name of Each exchange on which registered
National Association of Securities Dealers Securities
registered pursuant to Section 12(g) of the Act:

Indicate by check mark whether the
Registrant (1) has filed all reports required to be
filed by Section 13 or 15(d) of the Securities
Exchange Act of 1934 during the preceding 12
months (or for such shorter period that the
Registrant was required to file such reports), and (2)
has been subject to such filing requirements for the
past 90 days.

Yes {X} No { }

Indicate by check mark if disclosure of
delinquent filers pursuant to item 405 of Regulation

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S-K is not contained herein, and will not be contained, to the best of registrants's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-KSB or any amendment to this Form 10-KSB. {X}

Issuer's revenues for its most recent fiscal year were \$0.00

The aggregate market value of voting stock 38,748,857 held by non-affiliates of the Registrant as of September 30, 2003 was approximately \$ 1,549,954.20

On October 1, 2003, approximately 22,766,517 Shares of the Registrant's Common Stock, \$0.001 par value, were outstanding, 910,660.68.

Documents Incorporated by Reference
Exhibit A & Exhibit B

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PART I

ITEM 1. BUSINESS

Overview

Advance Technologies Inc. is a developer of Infrared Enhanced Vision Technology and commercial solutions. The company has a worldwide license from Hughes Aircraft company, Los Angeles, California for a patented advanced infrared imaging system. Advance Technologies licenses and develops applied infrared enhanced vision solutions for use in diverse industries including aviation, recreational vehicles, commercial trucking, marine, security, and fire fighting applications. The Company is currently engaged in the development of night vision systems with applications in the commercial sector.

Advance Technologies has entered into a licensing agreement with Kollsman Inc., which has incorporated the company's technology and intellectual property into an Enhanced Vision System for use on the Gulfstream series of Aircraft. The system entered production in early 2002. Kollsman has announced a new enhanced vision product in late 2002 for use at the low-end private aviation market. This product is expected to enjoy the same success as the Gulfstream product but with a far larger market.

Background

Advance Technologies, Inc. ("the Company") The Company was organized under the laws of the State of Delaware under the name PWB Industries, Inc.; the articles of incorporation were issued June 16, 1969. The name was changed to Sun Energy, Inc. ("The Company"), which merged with Sto Med, Inc. on February 22, 1996 changing its name to Sto Med, Inc. ("The Company") and domicile to the State of Nevada. On February 23, 1996, Sto Med, Inc., a privately held California corporation, was acquired by Sto Med, Inc. ("The Company") the California Corporation acquisition was rescinded on August 23rd 1997. Sto Med Inc. ("The Company") the Nevada Corporation changed its name to Advance Technologies, Inc., ("The Company") on August 23rd 1997. On September 27, 1999 the "Company" acquired Seacrest Industries of Nevada, also known as Infrared Systems International.

The Company

The Registrant through its wholly owned subsidiary SEACREST INDUSTRIES, INC., and through its president and director Mr. Gary Ball was granted an exclusive world-wide license agreement for the use of US patent number 5,534,694

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by Hughes Aircraft Company, for a key optical element of the Infrared Aircraft Landing System. Gary Ball founder and CEO of Infrared Systems International (ISI) a/k/a Seacrest Industries International, Inc. in 1992 formed the company for the singular purpose of providing manufacturing and sales support for the unique Infrared System called Enhanced Vision System (EVS). While employed by Electro-Optical Systems, a segment of Hughes Aircraft Company, as senior Program Manager and engineer, he led the research and development team responsible for the development of the Enhanced Vision System (EVS).

This technology was designed to allow aircraft pilots to actually "see" the airport environment through cloud ceiling or surface fog. The factor of enhanced safety, alone, is generating an enormous demand for this type of system.

Significant Corporate Milestones

The aerospace industry honored its own "best of the best" on June 16, 2003 at a glittering ceremony in Paris's Pavilion D'Armenonville. Advance Technologies Inc. was a finalist in the AVIONICS & ELECTRONICS category for our achievement: Infrared Commercial Landing Aid System.

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Advance Technologies Inc. entry was an Advanced Optical controller, a device that greatly expands the optical dynamic range of EVS, a capability that will be required for EVS to fulfill its full potential for the aviation market.

On June 3, 2003, Mr. Gary E. Ball, President of Advance Technologies Inc. was presented the prestigious National Leadership Award. Mr. Ball will serve as an Honorary Chairman on the Business Advisory Council (BAC) for the National Republican Congressional Committee.

In February of 2003 the Federal Aviation Administration submitted a proposed change for operating rules that if adopted would greatly expand the EVS market opportunities. These changes deal with the operating rules for flight operations under low or reduced visibility conditions. Advance Technologies Inc. is looking forward to the finalization and the introduction of these needed changes.

Gulfstream Aerospace announced at the NBAA show that EVS is available as optional equipment on the G500, G-V, G-400, G-IVSP, and G300 business jets. The optional equipment is available on new aircraft or retrofit to in service aircraft. In addition, EVS will be standard equipment on the new G550 and the newly announced G450.

At the NBAA show in Orlando, it was announced that Kollsman and FedEx have reached an agreement whereby Kollsman will provide EVS systems for FedEx's fleet of wide body aircraft. This market is estimated at 200 aircraft. The aircraft types involved are Boeing MD-10 & MD-11, and the Airbus A300 & A310. These additional aircraft types represent a major accomplishment for EVS.

Employees

The Company employs a total of three (3) employees, One of, which is full time, the other two are used on a reduced hour work week on an as required basis. This staff reduction is the result of economic conditions discussed in the Management Discussion Section in depth.

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ITEM 2. PROPERTIES

The Company's executive offices are located in Palos Verdes Estates, California.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings known or pending against the Registrant or its subsidiary

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's Security holders through the solicitation of proxies or Otherwise, during the fiscal year ended September 30, 2003.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company is currently trading, OTC, on the Nationals Association of Securities Dealers "Pink Sheets" with the high bid at \$0.20 per share and the low bid of \$0.04 per share during the last year. Additional information required by this item may be found in the Company's 2002 Financial Statements.

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On September 30, 2002 there was 22,766,517 shares outstanding of registrant's common stock, at \$0.001 par value. There was an additional 38,748,857 shares of Class B restricted stock.

The increase of common stock from 17,218,967 to 22,766,517 Resulted from conversion of 144 restricted stock to free trading stock. The conversion was authorized by the board of directors of Advance Technologies on January 1, 2002.

The increase in preferred shares was the result of the issuing of 5,438,350 shares to retire the outstanding short term loan of \$108,767.00 and the further conversion of preferred shares into common stock.

Effective January 1, 2004 the board of directors has authorized the conversion of an additional 35% of preferred shares into common provided the holding period has been satisfied. This will increase the converted percentage to 65% once minimum holding periods have been satisfied.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND REPORTS OF OPERATION

From time to time, we may publish forward-looking statements relating to matters, including anticipated financial performance business projects, the progress and goals for our research and development programs, marketing

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strategies, and other similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor; a variety of factors could cause Our actual results and experience to differ materially from the Anticipated results or other expectations expressed in our Forward-looking statements. In addition, we disclaim any Intent or obligation to update those forwarding-looking statements.

When used in this discussion, the words "believes," "anticipates" "expected", "assumes", "and similar expressions are intended to identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report. We undertake no obligation to publicly release the results of any Revisions to these forward-looking statements that may be made To reflect events or circumstances after the date of this report or to Reflect the occurrence of unanticipated events.

For a more detailed description of our operations for 2003 see Item 14 Management Discussion for 2003.

ITEM 7. FINANCIAL STATEMENTS.

The financial statements required by this item are included in the Company's 2003 Financial Statements and are presented in Part IV, Item 13.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTS ON ACCOUNTING FINANCIAL DISCLOSURE:

None

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

GARY E. BALL Age 65, residing in Manhattan Beach, California is married. He attended California State University at Long Beach graduating in 1968 with a BSEE and MSEE, went on to perform Graduate Studies at University of Southern California. He has specialized in product design, development, and management for North American Aviation, Autonetics Division. Technical Manager in charge of the Pave Track program for Ford Aerospace. Program Manager for Northrop Electro-Mechanical in charge of business development on several classified DOD programs, including the AMRAAM effort. Program Manager for Hughes Aircraft where he developed the Infrared Enhanced Vision System, reporting to the President of EDSS as directed by General Motors and directed all non-core business. He is a member of NATO NIAG study group on Aircraft Integration. He has authored several articles for trade publications, the last 4 years he has provided consulting services to 10 U.S. and foreign corporations in the field of IR technology.

GARY L. BANE has resigned from the board of directors effective August 1, 2003. Advance Technologies is currently evaluating candidates to fill this position.

WENDY BALL Age 56, residing in Manhattan Beach, California is married. She graduated from University of Southern California, BS cum Laude. Her career has

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been focused on retail merchandising, where she has demonstrated exceptional skills in management, team building and communications. She is National Sales Director for Christian Lacroix New York, a wholly owned subsidiary of Louis Vitton Moet Hennessey (LVNH). She was an account executive for Carolee Jewelry for Southern California, Arizona and Utah. She was co-owner Brava Specialty Clothing Store in Redondo Beach, California.

ITEM 10. EXECUTIVE COMPENSATION

Other than information provided in the Company's 2003 Financial Statements incorporated herein, executive officers and directors have received no other compensation.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

<u>Title of Class</u>	<u>(1) Name and Address of Beneficial Owner</u>	<u>(2) Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Preferred	Gary E. Ball 28 Santa Cruz Court Manhattan Beach, CA 90266	9,240,000 Issued Shares	15.0
Preferred	Wendy Ball 28 Santa Cruz Court Manhattan Beach, CA 90266	9,240,000 Issued Shares	15.0

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Gary E. Ball and Wendy Ball are married.

PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following documents are filed as part of this Form 10-KSB Annual Report:

See Attached Financial Statements: Exhibit A (15 pages)

ITEM 14. EXHIBITS, MANAGEMENT DISCUSSIONS AND OPERATIONS

The following document is filed as part of this Form 10-KSB Annual Report:

See Attached Exhibit A - Financial Statements (15 pages)

See Attached Exhibit B - Management Discussion and Analysis (6 pages)

Exhibit 31 - Section 302 Certification

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Exhibit 32 - Section 906 Certification

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 14, 2004

Advance Technologies, Inc.
(Registrant)

By: /s/ GARY E. BALL

Gary E. Ball
President and Director

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EXHIBIT A

ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)

Consolidated Financial Statements

September 30, 2003 and 2002

C O N T E N T S

Independent Auditor's Report.....F-3

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Advance Technologies, Inc.
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of Advance Technologies, Inc. (a development stage company) as of September 30, 2003 and 2002 and the related statements of operations, stockholders' equity and cash flows for the years ended September 30, 2003 and 2002 and from inception on October 1, 1985 through September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advance Technologies, Inc. (a development stage company) as of September 30, 2003 and 2002 and the results of its operations and cash flows for the years ended September 30, 2003 and 2002 and from inception on October 1, 1985 through September 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has minimal assets and is dependent upon financing to continue operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in the Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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Chisholm & Associates
 North Salt Lake, Utah
 December 24, 2003

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ADVANCE TECHNOLOGIES, INC.
 (A Development Stage Company)
 Consolidated Balance Sheets

	September 2003
ASSETS	
CURRENT ASSETS	
Cash	\$ - \$
Total Current Assets	-
PROPERTY & EQUIPMENT, net	14,440
TOTAL ASSETS	\$ 14,440 \$
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Bank Overdraft	\$ 2,029 \$
Accounts payable	9,637
Accrued Interest	-
Advance Royalties	25,000
Notes payable-officer	46,800
Total Current Liabilities	83,466
LONG-TERM DEBT	
Line of Credit	-
TOTAL LIABILITIES	83,466
STOCKHOLDERS' EQUITY	
Common stock, authorized 100,000,000 shares of	

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\$0.001 par value, issued and outstanding 22,766,517 and 17,218,967 shares, respectively	22,766
Preferred Stock, Series A authorized 100,000,000 shares of \$0.001 par value, issued and outstanding 38,748,857 and 38,858,057 shares, respectively	38,749
Additional paid-in capital	549,780
Retained earnings (deficit)	(680,321)

Total Stockholders' Equity	(69,026)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 14,440 \$
	=====

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Operations

	For the period of entering Development Stage on October 1, For the Year Ended September 30,	
	2003	2002
	-----	-----
REVENUES	\$ -	\$ 29,039
	-----	-----
EXPENSES:		
Depreciation & Amortization	7,927	7,854
Organization Costs	-	-
Research & Development	-	-
General and administrative	23,890	38,699
	-----	-----
Total Expenses	31,817	46,553
	-----	-----
INCOME (LOSS) FROM OPERATIONS:	(31,817)	(17,514)
	-----	-----
OTHER INCOME (EXPENSE):		
Interest Expense	(-)	(10,260)
Miscellaneous Income	-	-

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Total Other Income (Expense):	-----	-----
	-	(10,260)
	-----	-----
NET INCOME (LOSS)	\$ (31,817)	\$ (27,774)
	=====	=====
NET LOSS PER SHARE:		
Loss Per Share	\$ (0.00)	\$ (0.00)
	-----	-----
Weighted average shares outstanding	20,249,214	10,796,656
	=====	=====

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(For the period of entering development stage on October 1, 1985
through September 30, 2002)

	Common Stock		Additional Paid-In Capital	Preferred Stock	
	Shares	Amount		Shares	Amount
	-----	-----	-----	-----	-----
Balance, October 1, 1985 (beginning of the development stage)	6,487	\$	7	\$	-
Shares issued for coal royalties at \$0.01	4,369		4	1,525	-
Shares issued for services at \$0.25	554		1	4,849	-
Shares issued for services at \$0.03	1,601		2	1,680	-
Shares issued for services at \$0.25	1,274		1	11,145	-
Shares issued for services at \$0.01	2,290		2	798	-
Shares issued for services at \$0.25	37,203		37	325,487	-
Preferred shares issued for services	-		-		10,048
					1,000

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Preferred shares expire -	-	1,004	(10,048)	(1,004)
Net loss since the beginning of the development stage at October 1, 1985	-	-	-	-
Balance, September 30, 1995	53,778	54	404,649	-
Shares issued for services at \$0.25	5,714	6	49,994	-
Share round up	(6)	(1)	-	-
Net loss for the year ended September 30, 1996	-	-	-	-
Balance, September 30, 1996	59,486	59	454,643	-

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(For the period of entering development stage on October 1, 1985
through September 30, 2002)
(Continued)

	Common Stock		Additional Paid-In Capital	Preferred Stock	
	Shares	Amount		Shares	Amount
Balance Forward	59,486	59	454,643	-	-
Shares issued for services at \$0.25	608	1	5,324	-	-
Net loss for the year ended September 30, 1997	-	-	-	-	-
Balance, September					

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30, 1997	60,094	60	459,967	-	
Shares issued for services at \$0.001	12,828	13	436	-	
Net loss for the year ended September 30, 1998	-	-	-	-	
Balance September 30, 1998	72,922	73	460,403	-	
Shares issued for cash at \$0.01	2,500,000	2,500	22,500	-	
Shares issued for common stock of SeaCrest Industries Corp. at \$0.001	-	-	(36,457)	50,254,102	50,254,102
Net loss for the year ended September 30, 1999	-	-	-	-	
Balance, September 30, 1999	2,572,922	2,573	446,446	50,254,102	50,254,102
Net loss for the year ended September 30, 2000	-	-	-	-	
Balance, September 30, 2000	2,572,922	2,573	446,496	50,254,102	50,254,102

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity
(For the period of entering development stage on October 1, 1985
through September 30, 2002)
(Continued)

	Common Stock		Additional	Preferred Stock	
	Shares	Amount	Paid-In Capital	Shares	Amount
Balance Forward	2,572,922	2,573	446,446	50,254,102	50,254,102

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Net income (loss) for the year ended September 30, 2001	-	-	-	-	-
Balance, September 30, 2001	2,572,922	2,573	446,446	50,254,102	50,25
Shares issued for services at \$0.001	3,250,000	3,250	-	-	
Shares converted to common stock	11,396,045	11,396	-	(11,396,045)	(11,39
Net income (loss) for the year ended September 30, 2002	-	-	-	-	
Balance, September 30, 2002	17,218,967	17,219	446,446	38,858,057	38,85
Shares issued for conversion of debt	5,438,350	5,438	103,334	-	-
Shares issued for conversion of Preferred stock	109,200	109	-	(109,200)	(109)
Net income (loss) for the year ended September 30, 2003	-	-	-	-	
Balance, September 30, 2002	22,766,517	\$ 22,766	\$ 549,780	38,748,857	\$ 38,74
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows

For the Year Ended
September 30,

2003

2002

CASH FLOWS FROM OPERATING ACTIVITIES

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Net loss	\$	(31,817)	\$	(
Adjustments to reconcile net loss to net cash, provided by operations:				
Stock issued for services		-		
Depreciation & Amortization		7,927		
Organization Costs		-		
Decrease in prepaids		-		
Increase (Decrease) in accrued liabilities		11,671		
		-----		-----
Net Cash Flows Used in Operating Activities		(12,219)		
		-----		-----
CASH FLOWS USED IN INVESTMENT ACTIVITIES(39				
Purchase of Equipment		-		
Investment in Subsidiary		-		
		-----		-----
Net Cash Used in Investment Activities		-		
		-----		-----
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash paid on Loan from Officer		-		
Proceeds from Loan from Officer		10,500		
Proceeds from Line of Credit		-		
Proceeds from Issuance of Stock		-		
		-----		-----
Net Cash Flows from Financing Activities		10,500		
		-----		-----
NET INCREASE (DECREASE) IN CASH		(1,719)		(
CASH, BEGINNING OF YEAR		1,719		
		-----		-----
CASH, END OF YEAR	\$	-	\$	
		=====		=====

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Continued)

For the Year Ended
September 30,

2003

2002

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid for:			
Interest		\$	- \$
Taxes		\$	- \$

SUPPLEMENTAL NON-CASH INFORMATION

In March 2003, the Company issued 5,438,350 shares for the satisfaction of a line of credit and accrued interest in the amount of \$108,772.

During the year ending September 30, 2003, a total of 109,200 shares of preferred stock were converted to common stock.

During December 2001, the Company issued 3,250,000 shares of common stock for services valued at \$3,250 (or \$.001 per share).

During the year ending September 30, 2002, a total of 11,396,045 shares of preferred stock were converted to common stock.

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Company was organized under the laws of the state of Delaware on June 16, 1969 as PWB Industries, Inc. On November 10, 1975, the Company changed its name to Sun Energy, Inc. At that time, the Company began operations in the oil and gas lease industry. By 1985, the Company discontinued its operations and became dormant. On March 6, 1996, the Company attempted a merger which failed. On August 23, 1997, the Company changed its name to Advance Technologies, Inc. and changed its place of domicile to from Delaware to Nevada.

On September 27, 1999, pursuant to a plan of acquisition, the Company exchanged 50,254,102 shares of its Series "A" preferred stock for 50,254,102 shares of SeaCrest Industries Corporation's common stock. This acquisition has been accounted for using the purchase method of a business combination.

The Company is currently engaged in the development of a night vision system with applications in the military as well as civil. The Company has an agreement with a Taiwan company wherein they

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are jointly developing the night vision system for use in Class A coaches. The Company is also involved in the development of other Electro-optical mechanical devices.

b. Accounting Method

The Company recognizes income and expenses on the accrual basis of accounting.

c. Consolidation

The consolidated financial statement include the accounts of Advanced Technologies, Inc. and SeaCrest Industries Corporation, a wholly owned subsidiary. Intercompany transactions have been eliminated.

d. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Earnings (Loss) Per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements. From Inception on October 1,

	For the Years Ended September 30,	
	2003	2002
Numerator - net loss	\$ (31,817)	\$ (27,774)
Denominator - weighted average number of shares outstanding	20,249,214	10,796,656
Loss per share	\$ (0.00)	\$ (0.00)

f. Provision for Income Taxes

No provision for income taxes has been recorded due to net operating loss carryforwards totaling approximately \$680,000 that will be offset against future taxable income. These NOL carryforwards begin to expire in the year 2004. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforward will expire unused.

Accordingly, per FASB 109, the potential tax benefits of the loss carryforwards are offset by the valuation of the same amount.

Deferred tax assets and the valuation account is as follows at September 30, 2003 and 2002.

	September 30,	
	2003	2002
	-----	-----
Deferred tax asset:		
NOL carryforward	\$ 231,200	\$ 214,700
Valuation allowance	(231,200)	(214,700)
	-----	-----
Total	\$ -	\$ -
	=====	=====

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements assets and liabilities involve extensive reliance on management's estimates. Actual results could differ from those estimates.

h. Revenue Recognition

The Company has received revenue pursuant to an agent agreement which allows the Company to receive fixed monthly service fees, and to bill for additional services provided. The Company records revenues when the services are performed. The Company has

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recognized \$-0-, and \$29,039 in revenues for services performed in connection with this agreement for the years ended September 30, 2003 and 2002.

The Company is also entitled to reimbursement for various expenses associated with the development fo its night vision technology pursuant to the joint venture agreement with the Taiwan company. These reimbursements are recorded as miscellaneous income when received. The Company recognized miscellaneous income of \$ -0- during the fiscal years 2003 and 2002 from reimbursement received from the joint venture partner.

NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to raise capital in order to define expand their business operations, thus creating necessary operating revenue.

NOTE 3 - DEVELOPMENT STAGE COMPANY

The Company is a development stage company as defined in Financial Accounting Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital and developing its business operations in order to generate significant revenues.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2003 and 2002

NOTE 4 - PROPERTY & EQUIPMENT

Property & Equipment consists of the following at September 30, 2002 and 2001:

	September 30, 2003	2002
	-----	-----
Equipment	\$ 39,386	\$
Less: Accumulated Depreciation	(24,946)	(
	-----	-----
Net Property & Equipment	\$ 14,440	\$
	=====	=====

Expenditures for property and equipment and for renewals and betterments, which extend the originally estimated economic life of assets or convert the assets to a new use, are capitalized at

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cost. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in the results of operations.

The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives of equipment are 5 years. Depreciation expense for the years ended September 30, 2003 and 2002 are \$7,927 and \$7,854, respectively.

NOTE 5 - ADVANCED ROYALTIES

SeaCrest Industries Corporation, formerly Infrared Systems International, Inc., entered into a licensing agreement for marketing and distributing of infrared aircraft landing systems. Seacrest received \$25,000 in advances. These royalty revenues have been deferred until future revenue streams occur, if any actually do occur, and these royalty revenues have been recorded as a liability.

NOTE 6 - RELATED PARTY TRANSACTIONS

As of September 30, 2003 and 2002, the Company owes an officer the Company \$46,800 and \$36,300 for loans made. This note payable-officer is considered a current liability with no provision for interest.

NOTE 7 - LINE OF CREDIT

The Company has negotiated a Line of Credit with a corporation, wherein the Company has a credit limit of \$125,000. This line accrues 12.0% interest annually and is due January 1, 2004. As of September 30, 2002, the Company has borrowed a total of \$85,500. For the year ended September 30, 2002, the Company recorded \$10,260 in interest expense. As of September 30, 2002, the Company has accrued interest totaling \$23,267.

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ADVANCE TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Consolidated Financial Statements
September 30, 2003 and 2002

NOTE 7 - LINE OF CREDIT (Continued)

In December 2002, the Company authorized the issuance of 5,438,350 shares of common stock in satisfaction of the \$85,500 debt and accrued interest of \$23,267. As of September 30, 2003, no obligation exists.

NOTE 8- COMMON STOCK

During December 2001, the Company issued 3,250,000 shares of previously authorized but unissued common stock for consulting services for \$3,250 (or \$.001 per share).

During the year ended September 30, 2002, 11,396,045 shares of

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preferred stock were converted to common stock.

In December 2002, the Company issued 5,438,350 shares of common stock in satisfaction of \$85,500 in debt and \$23,267 of accrued interest.

During the year ended September 30, 2003, preferred shareholders converted 109,200 shares of preferred stock for 109,200 shares of common stock.

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EXHIBIT B

Advance Technologies Inc.
Management Discussion and Analysis
Year End, September 2003

MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Advance Technologies Inc. ("AVTX") is a developer of infrared (IR)

Enhanced Vision technology for commercial solutions and applications. The Company engages in advance development activities and through strategic business arrangements AVTX utilizes OEM suppliers and major system corporations to form strategic business associations. This unique business model combines the strength of our organization with the prior capital investment of the OEMs and the in place established marketing and sales organization of the System Integrator. Our ability to bridge advance IR technology into application specific markets shortens the development-to-market cycle and associated high investment risks of this enterprise.

Highlights of the Year

The aerospace industry honored its own "best of the best" on June 16, 2003 at a glittering ceremony in Paris's Pavilion D'Armenonville when 11 winners of the coveted Flight International Aerospace Industry Awards 2003 were announced. Their peers applauded more than 500 top executives from all parts of the industry for their achievements.

Advance Technologies Inc. was a finalist in the AVIONICS & ELECTRONICS category for our achievement: Infrared Commercial Landing Aid System. Their President represented advance Technologies Inc., Mr. GARY BALL. Mr. Ball was delighted with the recognition of "our fine work that continues to be on the cutting edge of technology for Enhanced Vision Systems."

Advance Technologies Inc. entry was an Advanced Optical controller, a device that greatly expands the optical dynamic range of EVS, a capability that will be required for EVS to fulfill its full potential for the aviation market.

On June 3, 2003, Mr. Gary E. Ball, President of Advance Technologies Inc. was presented the prestigious National Leadership Award. Mr. Ball will serve as an Honorary Chairman on the Business Advisory Council (BAC) for the National

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Republican Congressional Committee. Mr. Ball will represent the State of California on this advisory committee. In this capacity he will advise and assist in critical issues that affect business and promote a pro-business agenda.

Mr. Ball is honored to participate in this illustrious group, and believes the small cap, high technology sector is the basis for economic growth and stimulus to grow the economy. We believe that government assistance in the economic sector should be focused at stimulating innovation and simplification of regulatory and oversight functions. By becoming actively involved in the BAC Mr. Ball believes he can provide a voice and guidance to effect needed changes.

In February of 2003 the Federal Aviation Administration submitted a proposed change for operating rules that if adopted would greatly expand the EVS market opportunities. These changes deal with the operating rules for flight operations under low or reduced visibility conditions. Advance Technologies Inc. has responded to the Federal Registrar notice of proposed changes. These changes if adopted will make the certification process for EVS easier. Advance Technologies Inc. is looking forward to the finalization and the introduction of these needed changes.

Business Overview

The tragic events of September 11, 2001 continue to effect are operation. The effect has been most notable in the decline of the price of our common stock in recent months reflecting the general slow down that has effected our markets.

The aftermath of 9-11 has effected Corporations such as Advance Technologies Inc. through our significant involvement in Infrared Technology, which is a controlled and regulated technology by the US Government. Since AVTX is exclusively involved in commercial applications, and all of the technologies we employ are considered "dual use technology" (military and commercial), the Government's restrictions have had little effect on the scope and direction of our strategic plans. Thus, our plans for future products have not changed materially. But, the government has imposed new requirements on Corporation like AVTX to prove our system applications meet the commodity juristition regulations (commercial non-military end-use) to the Department of State through compliance to the International Traffic in Arms Regulation (ITAR), 22 CFR 120-130. This burden of compliance has both lengthen and complicated the approval process. This has contributed to a slow down thus effecting our rate of progress.

ATI entered into an agreement with an offshore OEM strategic partner Telesis Electronics September of 2000, a Taiwanese privately held corporation. Under the terms of this agreement ATI is developing IR systems in conjunction with Telesis for sale in the USA as well as other foreign markets. Export licenses are required to provide critical components for this work. Approval for these licenses are taking more than a year to obtain. Furthermore additional end-user restrictions are being imposed complicating and lengthening them process. This same activity in the past took less than 6 months prior to 9-11, with far less paper work and disclosure documents. In spite of these delays ATI continues to provide support to Telesis through the application and delivery of an additional 30 detector units.

Telesis Technologies Inc. a privately held corporation has been acquired by United Integrated Services, a Taiwanese public corporation in early 2003. The new ownership has retained the principals in Telesis, and except for a small start-up interruptions are work with the Taiwan Corporation has continued.

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The second event that has had an impact on AVTX stock has been the authorization of a 30% of conversion of Advance Technology Preferred stock into AVTX common stock by the shareholder of record provided the holding period has been met.

The resulting action has been to increase the number of shares of common stock in the market (float), which under normal circumstances produces some degree of pressure on the stock. This process of moving from a development Corporation with restricted 144 stock to a fully free trading corporation is a common but necessary growing pain of the maturation process.

Enhanced Vision Activities

Enhance Vision System, our first project; has entered production. Advance Technologies benefits through a license agreement with Kollsman Inc.

The License Agreement between Advance Technologies and Kollsman Instruments covers the transfer of proprietary intellectual property owned by Advance Technology. The data package consisted of technical, industrial, marketing, and FAA regulatory knowledge to facilitate the development of the IR EVS and subsequent FAA certification. Included as part of, but specifically partition within the Agreement is an option for Kollsman to use a Hughes Aircraft patent that was licensed to Advance Technologies in 1996. Kollsman elected to proceed forward with an IR EVS system based upon the content of the License Agreement, but without incorporating the Hughes Aircraft patent. There has been concerns expressed that the lack of inclusion of the Hughes Patent could in some way effect ATI our future revenue.

Kollsman has issued the quarterly report (9/30/03) required under the License Agreement. The following report by Kollsman has been verified.

ANNUAL NUMBER OF UNITS DELIVERED & SOLD

	INITIAL DELIVERY	UNITS SOLD
CALENDER YEAR 2002	47	29
CALENDER YEAR 2003, TO DATE	79	78
TOTAL	<u>126</u>	<u>107</u>

Kollsman has released no information on their future production plans. Their end user continues to expand the application to additional aircraft through certification activity with the FAA. This will serve to increase the EVS market.

At the NBAA show in Orlando, it was announced that Kollsman and FedEx have reached an agreement whereby Kollsman will provide EVS systems for FedEx's fleet of wide body aircraft. This market is estimated at 200 aircraft. The delivery of EVS to this market will result in four additional aircraft types receiving certification for EVS. This is a significant milestone in the EVS program.

The completion of the FedEx certification will addition several additional aircraft types to be authorized for EVS equipment. The aircraft types involved are Boeing MD-10 & MD-11, and the Airbus A300 & A310. These additional aircraft certification will facilitate the operators of these aircraft types to incorporate EVS into their fleet operations. The cost and time associated with

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certifying each aircraft type for EVS remains the largest hurdle for full industry acceptance. These additional aircraft types represent a major accomplishment for EVS.

The License Agreement (July 1997) between Kollsman and ATI has a royalty schedule that was specifically tailored to achieve two key elements (1) for rapid recovery of the development investment and (2) maximize long term profits to ATI predicated upon a large EVS market. Under the provisions that implement this strategy the initial production units are royalty free. The royalty per unit increases in four discrete steps to a maximum value per unit.

Kollsman Instruments released a PRESS RELEASE in September 2002, titled, KOLLMAN'S ENHANCED VISION SYSTEM PRODUCTLINE EXPAND. The Press Release announced the introduction of a "new reduced performance EVS version" called Night Window TM, a low cost derivative of the high performance Kollsman's "All-weather Window" system. The expansion of Kollsman into the higher volume, lower cost EVS market has been anticipated by Advance Technologies. This market is larger and is more accessible from an FAA certification standpoint.

Gulfstream Aerospace announced at the NBAA show that EVS is available as optional equipment on the G500, G-V, G-400, G-IVSP, and G300 business jets. The optional equipment is available on new aircraft or retrofit to in service aircraft. In addition, EVS will be standard equipment on the new G550 and the newly announced G450. Gulfstream Aerospace has received worldwide acclaim for the EVS, and as a result GAC is aggressive marketing EVS for sales in both the new and after market sectors.

Spectrum 9000, Medical Equipment

ATI continues to provide export license support under a time & service reimbursement agreement with Telesis Technologies. Telesis has not announced a date for introduction of the Spectrum 9000 into the US market. Additional discussions and meeting with medical equipment experts in the USA. ATI believes that Telesis will become activity in the US market in 2004, and what role ATI will play in that activity has not been determined.

Development Projects

Advance Technologies Inc. continues development activities on new Infrared systems for commercial markets. These projects cannot be forecast with any degree of certainty and all strategic partnerships or business arrangements remain confidential until such time as a formal announcement is appropriate without compromising the development plan and/or the application market.

CAPITAL RESOURCES

No commitment for capital resources has been made during this reporting period.

FINANCIAL ANALYSIS

The results on the operation represent projects of likely future events that cannot be guaranteed. Therefore, the financial analysis does not include projects, and no quantitative assessment has been provided based upon the future discussion of potential events in section 3.

No material changes have been provided; therefore impact of unforeseeable

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events cannot be assessed.

Present financial plans are adequate to meet our cash flow needs with our current project schedule.

BOARD OF DIRECTOR ACTIONS

The maturity of the Enhanced Vision Project has provided the need to take action and make adjustments to prepare for our transition from a "development company" to a mature self-sustaining corporation. We anticipate a full transition by mid-2004. Accordingly, the following actions have been authorized by the Board of Directors. The following descriptions are provided as a summary of these actions.

1. 5,438,350 shares of AVTX preferred Class B stock was authorized and transferred to Equi-share Financial in consideration for the cancellation and debt nullification of AVTX's short-term loan. The loan balance, including interest, was \$108,767.00 at the time of transfer.

This action was necessary to satisfy the terms and conditions of the line of credit AVTX had with Equi-share Financial. This action resolves this due-on-demand note without the need to raise additional short-term capital.

2. The Board of Directors of AVTX has authorized that all shares of AVTX shall be eligible to receive dividends from AVTX. Prior to this action only preferred shares were eligible to receive dividends.

This action will serve to give all of the equity owners of AVTX equal participation in future benefits. This resolution is effective 9/1/03.

3. The Board of Directors has authorized that all shares of AVTX, common and preferred be granted voting rights on a one vote for one share basis. Previously, only Common AVTX shareholders had voting privileges. This resolution is effective 9/1/03.

This action will serve to give all equity owners of AVTX equal rights in determining AVTX's future directions in those matters that warrant shareholder participation.

4. The Board of Directors has authorized the conversion of additional shares of preferred stock to common stock for those shareholders that have or will meet holding period requirements. The authorization for conversion increases the past conversion percentage from 30% to 65%. This resolution is effective on January 1, 2004.

This action represents an additional step towards full conversion of all preferred shares to common shares.